

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2319 – SB 2375

April 10, 2012

**SUMMARY OF AMENDMENT (015946):** Deletes all language after the enacting clause. Requires that any state funds appropriated for pre-kindergarten (pre-K) classrooms that remain unexpended at the end of the fiscal year not revert to the state but be carried forward by the local education agency (LEA), along with local matching funds, if any, and be used to fund additional pre-K classrooms in the next school year.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Decreasing State Funding - Local education agencies (LEAs) with existing pre-K classrooms may choose to cease funding existing pre-K classrooms, thereby decreasing local expenditures by \$25,223 per classroom. LEAs may also choose to increase local expenditures to make up for the loss in state funding. Any decrease or increase in local expenditures as a result of the state decreasing funding for existing pre-K classrooms will be permissive and is estimated to exceed \$1,000,000.

Additional Pre-K classrooms – The 25 percent reduction in state pre-K funding may shift to additional classrooms. The total amount of this shift is dependent on how many new classrooms are opened. The state will hire one new child care program evaluator for each additional 100 classrooms at a cost of \$80,000 per evaluator. LEAs that choose to open new classrooms will increase local expenditures for the local match portion of the pre-K funding. This increase may be actual cash or in-kind contributions. The amount of this permissive increase in funding or contributions is unknown but is estimated to exceed \$25,223 which is the current local match for one new classroom. The Department of Education will fund additional positions as needed from the 25 percent reduction in pre-K funding. The funding of additional positions will decrease the total amount of state funds available for additional classrooms.

## **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Other Fiscal Impact – Unexpended pre-K funding will not revert back to the Department of Education (DOE). This will reduce the amount of funding available to the Department to meet its annual reversion target. The amount of unexpended pre-K funding in FY10-11 was \$868,000. This amount will vary annually. The Department will take funding from other sources in order to meet its target. It is unknown what impact, if any, this will have on other budget items or the DOE's reserve.**

Assumptions applied to amendment:

- LEAs will be authorized to keep unexpended state pre-K funding and carry it forward year to year. The amount that will be carried forward will vary annually according to the amount of state pre-K funding unexpended at the end of the fiscal year.
- The DOE will have less unexpended resources for use to meet its annual reversion target to the Treasury.
- The DOE will utilize funding from other sources to meet its annual reversion target. However, it is unknown if other budget items will be negatively impacted or if the money will be taken from the reserve. This process will also vary annually.
- According to the DOE, the amount of unspent pre-K funding in FY10-11 was \$868,000.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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